

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	168.25	0.00	0.00	168.25	0.00	0.00	168.25	168.25
Personal Services	6,737,069	652,045	223,583	7,612,697	637,211	584,022	7,958,302	15,570,999
Operating Expenses	1,617,217	52,974	1,263,678	2,933,869	52,978	0	1,670,195	4,604,064
Equipment	24,400	0	0	24,400	0	0	24,400	48,800
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$8,378,686	\$705,019	\$1,487,261	\$10,570,966	\$690,189	\$584,022	\$9,652,897	\$20,223,863
General Fund	271,275	(1,482)	1,660,023	1,929,816	(6,706)	392,078	656,647	2,586,463
State/Other Special	2,056,466	240,808	(319,806)	1,977,468	237,541	(192,149)	2,101,858	4,079,326
Federal Special	6,050,945	465,693	147,044	6,663,682	459,354	384,093	6,894,392	13,558,074
Total Funds	\$8,378,686	\$705,019	\$1,487,261	\$10,570,966	\$690,189	\$584,022	\$9,652,897	\$20,223,863

Program Description

The Child Support Enforcement Division (CSED) is responsible for pursuing and obtaining financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures that obligated parents maintain medical health insurance coverage for their dependent children. As required by federal law, services are available to any applicant regardless of income or resource level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division Major Budget Highlights	
◆	General fund support increases \$2 million between the 2005 and 2007 biennium <ul style="list-style-type: none"> • The general fund increase declines to \$1.2 million when the FY 2005 supplemental appropriation approved by the legislature is included • 2005 biennium funding for the division from the diversion of tobacco settlement proceeds is replaced by general fund in the 2007 biennium budget
◆	State special revenue from the retention of a portion of child support collections and federal incentive funds continues a slight decline

Program Narrative

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non- custodial parents. Under federal regulation these services must be available to anyone who applies, regardless of the family income and resource level. Historically, CSED funding has included little or no general fund. For a number of years the division's activities were funded with state special revenue from collections of child support and federal funds. However, in recent years state special revenues have declined, and ongoing funding for the division has been an issue faced by several legislatures.

Funding child support activities becomes more complicated when the potential ramifications of maintenance of a child support enforcement program are considered. Under federal regulation, states must maintain a child support enforcement program that meets the requirements of Title IV-D of the Social Security Act in order to receive federal funding and so that the state is eligible to receive the federal Temporary Assistance for Needy Families (TANF) Block Grant that provides Montana about \$44 million of federal funding annually.

The legislature considered these issues when considering the 2007 biennium budget for the division. The budget adopted by the legislature increases general fund support for the division by about \$2 million when compared to the doubled 2004 base budget.

Figure 19				
Child Support Enforcement Division				
Summary of CSED Budget				
Summary of CSED State Special Revenue Fund				
Description	Base Budget* FY 2004	Estimated* FY 2005	Appropriated FY 2006	Appropriated FY 2007
<u>Summary of CSED Budget</u>				
Revenue Sources to Support Expenditures:				
CSE State Special Revenue Funds	\$2,056,466	\$1,964,846	\$1,977,468	\$2,101,858
Diversion of Tobacco Settlement Proceeds*	750,000	513,678	0	0
General Fund - Biennial*			1,263,678	0
General Fund Supplemental Appropriation	0	857,058	0	0
General Fund Support - CSED	271,275	271,275	666,138	656,647
Federal Funds	<u>6,050,945</u>	<u>6,310,657</u>	<u>6,663,682</u>	<u>6,894,392</u>
Total Budget	<u>\$9,128,686</u>	<u>\$9,917,514</u>	<u>\$10,570,966</u>	<u>\$9,652,897</u>
<u>CSE State Special Revenue Fund Recap</u>				
Beginning Balance	\$0	\$43,659	\$178,673	(\$153,042)
Revenue - Projected	2,756,411	2,756,411	2,297,274	2,294,007
Expenditures:				
Child Support Enforcement Division	2,056,466	1,964,846	1,977,468	2,101,858
Indirect Costs	372,891	372,891	372,891	372,891
SEARCHS (system) Costs	<u>283,395</u>	<u>283,660</u>	<u>278,630</u>	<u>278,656</u>
Subtotal Expenditures	<u>2,712,752</u>	<u>2,621,397</u>	<u>2,628,989</u>	<u>2,753,405</u>
Revenue Over (Under) Expenditures	<u>43,659</u>	<u>135,014</u>	<u>(331,715)</u>	<u>(459,398)</u>
Ending Balance	<u>\$43,659</u>	<u>\$178,673</u>	<u>(\$153,042)</u>	<u>(\$612,440)</u>
*Notes:				
Based upon DPHHS January, 2005 budget status report				
Funds from the diversion of tobacco settlement proceeds were not included in the FY 2004 base budget.				
Replaces tobacco settlement proceeds include in 2005 biennium budget.				

The top half of Figure 19 summarizes the division budget for FY 2004 through 2007 and includes the supplemental appropriation for FY 2005 that was approved by the legislature in HB 745. The division budget appears to have a temporary increase in FY 2006. However, this is related to the inclusion of the entire amount of a biennial appropriation in this year rather than allocating the appropriation between years since the actual split between years is unknown at this time.

The lower half of Figure 19 summarizes the revenue and expenditures for the child support enforcement state special revenue account. While the account is anticipated to have a small positive balance at the end of FY 2005, negative balances are expected at the end of FY 2006 and 2007. Thus, if revenues are not greater than projected the department will need to decrease expenditures to maintain a positive fund balance. Because the state special revenue is matched with federal funds each \$1 reduction in state special revenue expenditures will result in a decrease in total expenditures of \$3, unless another source of matching funds is available.

Supplemental Appropriation

The legislature approved a supplemental appropriation of \$857,058 for FY 2005. Additional funding was needed by the division to maintain operations at a level that is in compliance with federal Title IV-D regulations. State special revenue from retention of the state share of child support collections and federal incentive funds continue to decline slightly and are related primarily to the TANF cash assistance caseload and more states qualifying for federal incentive funds, which decreases Montana's share of the available pool of funds.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as appropriated by the legislature.

		Program Funding Table Child Support Enforcement					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 271,275	3.2%	\$ 1,929,816	18.3%	\$ 656,647	6.8%
	01100 General Fund	271,275	3.2%	1,929,816	18.3%	656,647	6.8%
02000	Total State Special Funds	2,056,466	24.5%	1,977,468	18.7%	2,101,858	21.8%
	02187 Child Support State Share	2,056,466	24.5%	1,977,468	18.7%	2,101,858	21.8%
03000	Total Federal Special Funds	6,050,945	72.2%	6,663,682	63.0%	6,894,392	71.4%
	03570 93.563 - Child Support Ivd 66%	5,978,591	71.4%	6,591,328	62.4%	6,822,038	70.7%
	03605 93.563 - Child Support Ivd 90/	72,354	0.9%	72,354	0.7%	72,354	0.7%
Grand Total		<u>\$ 8,378,686</u>	<u>100.0%</u>	<u>\$ 10,570,966</u>	<u>100.0%</u>	<u>\$ 9,652,897</u>	<u>100.0%</u>

The 2007 biennium budget for CSED is funded with a combination of general fund (13 percent), state special revenue (20 percent), and federal funds (67 percent). In general, child support enforcement activities are eligible to be funded 66 percent with federal Title IV-D funds, with the remaining 34 percent funded by a combination of general fund and state special revenues. Some functions, such as paternity testing, are eligible to be funded 90 percent from federal Title IV-D funds.

State special revenues for CSED come primarily from two sources: federal incentive funds, and retention of a portion of the collections made on cases that currently are or have in the past received cash assistance (public assistance/welfare) payments.

The legislature increased general fund support for the division by about \$2 million for the biennium. The general fund support replaces state special revenues that are declining and funding provided in the 2005 biennium through the diversion of tobacco settlement proceeds.

Biennial Comparison

Funding for the division increased \$3 million or 17 percent between the 2005 and 2007 biennia (Figure 20). However, this comparison does not include 2005 biennium expenditures that were removed from the base budget or the FY 2005 supplemental appropriation approved by the legislature. If these two items are included in the 2005 biennium the increase between biennia is \$1.4 million or about 7 percent.

General fund support for the division increases from about \$0.5 million to \$2.6 million between the two biennia as a result of decreases in state special revenue funds.

Figure 20 Child Support Enforcement Division Biennial Budget Comparison				
Description	2005 Biennium	2007 Biennium	Change	Percent
FTE	176.3	168.25	(8.0)	
Personal Services	\$ 14,380,187	\$ 15,570,999	\$ 1,190,812	8.3%
Operating Costs	2,801,563	4,604,064	1,802,501	64.3%
Equipment & Intangibles	24,400	48,800	24,400	100.0%
Debt Service	14,264	-	(14,264)	-100.0%
Total	<u>\$ 17,220,414</u>	<u>\$ 20,223,863</u>	<u>\$ 3,003,449</u>	<u>17.4%</u>
General Fund	\$ 542,473	\$ 2,586,463	\$ 2,043,990	376.8%
State Special Rev.	4,731,538	4,079,326	(652,212)	-13.8%
Federal Funds	11,946,403	13,558,074	1,611,671	13.5%
Total	<u>\$ 17,220,414</u>	<u>\$ 20,223,863</u>	<u>\$ 3,003,449</u>	<u>17.4%</u>

Operating costs increase \$1.8 million (64 percent) and personal services increase \$1.2 million (8 percent). The increase in these items is largely due to the inclusion of costs in the 2007 biennium budget that were not included in the 2005 biennium budget as shown in the table.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				961,468					951,448	
Vacancy Savings				(307,941)					(307,531)	
Inflation/Deflation				(1,085)					(1,081)	
Fixed Costs				54,059					54,059	
Total Statewide Present Law Adjustments				\$706,501	\$696,895					
DP 9999 - Statewide FTE Reduction	0.00	(1,482)	0	0	(1,482)	0.00	(6,706)	0	0	(6,706)
Total Other Present Law Adjustments										
	0.00	(\$1,482)	\$0	\$0	(\$1,482)	0.00	(\$6,706)	\$0	\$0	(\$6,706)
Grand Total All Present Law Adjustments				\$705,019	\$690,189					

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for personal services by \$8,188, but does not reduce FTE authorized by the Office of Budget and Program Planning, for the biennium to reflect the across-the-board personal services funding reduction that was adopted by the legislature for the 2005 biennium.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 191 - Child Support Maintenance Funding										
05	0.00	396,345	(396,345)	0	0	0.00	392,078	(392,078)	0	0
DP 3006 - Child Support Enforcement - Biennial										
05	0.00	1,263,678	0	0	1,263,678	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
05	0.00	0	76,539	147,044	223,583	0.00	0	199,929	384,093	584,022
Total	0.00	\$1,660,023	(\$319,806)	\$147,044	\$1,487,261	0.00	\$392,078	(\$192,149)	\$384,093	\$584,022

DP 191 - Child Support Maintenance Funding - The legislature provided \$788,423 general fund for the biennium to support ongoing operations of the division. State special revenue support for the division has decreased due to a mandated change in the method of calculating federal incentive funds and because income from the retention of a portion of collections related to cash assistance cases has also decreased as caseloads decline. The division must meet federal Title IV-D operating requirements to be eligible for federal funding. Additionally, this is also a requirement in order for the state to be eligible for the federal Temporary Assistance for Needy Families (TANF) block grant.

DP 3006 - Child Support Enforcement - Biennial - The legislature provided \$1,263,378 general fund for the biennium to continue child support enforcement services at the 2005 biennium level. This funding was previously provided through the prevention and stabilization fund established by SB 485 from the 2003 session.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional

3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.